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ABSTRACT

Many of Wisconsin's working families face economic distress, living from paycheck to paycheck and being forced to choose between paying their rent or buying food for their children. Parents under stress often cannot support their children with time, energy or resources. In order to affirm the importance of children in the state, and to help build an economy based on high skill levels and productivity that will benefit both workers and firms, data were collected to look at the problems that confront Wisconsin's working poor families and how some of those problems can be solved. Wisconsin performs well when compared to the national average, but there is room for improvement. Data collected shows the following: 4.5% of working families do not earn enough to rise above the poverty line; while the majority of adults have a high school education, this no longer guarantees a high-paying job; workers tend to work more hours and hold multiple jobs, which suggests that many jobs do not pay a sustainable wage; and only 10% of workers do not receive health insurance from their employers. Suggestions for areas of policy improvement include the following: (1) improve low-income workers' access to education and training; (2) support sectorial initiatives that build Wisconsin's strongest industries; (3) create a system for monitoring corporate subsidies and measuring their effectiveness; (4) raise and index the state's minimum wage; and (5) increase the state's commitment to existing programs. (Contains 7 tables and source information for the text and the tables.) (MO)

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Honoring Work in Wisconsin:

State Policies to Promote Self-Sufficiency for Working Families

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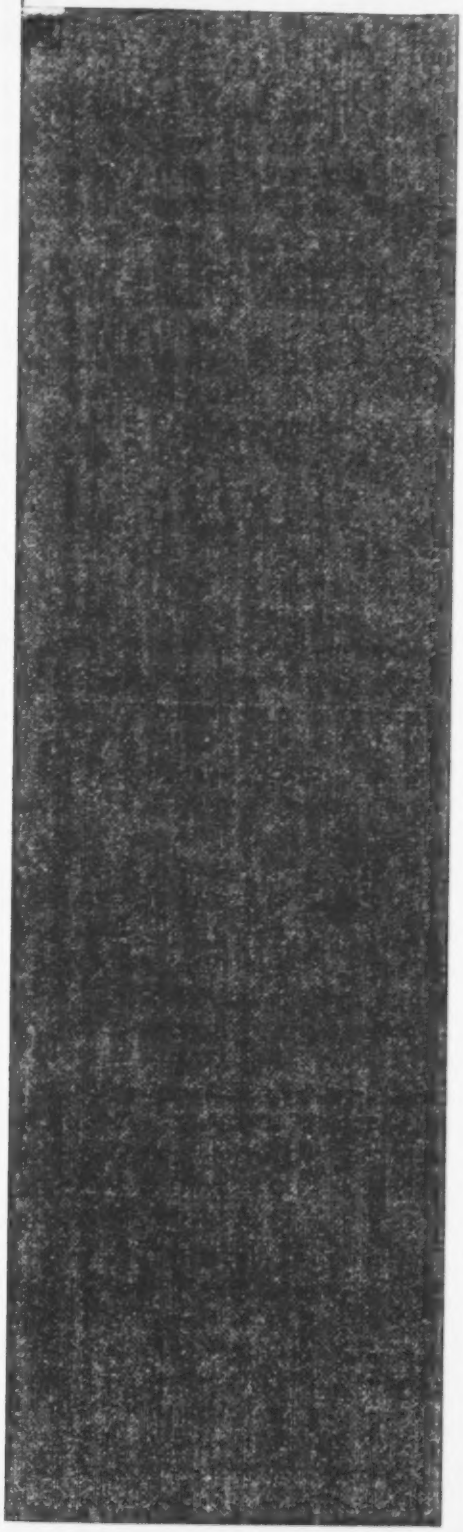

Honoring Work in Wisconsin: State Policies to Promote Self-Sufficiency for Working Families is part of a five-state national project funded by the Annie E. Casey Foundation and the Ford Foundation. The Center on Wisconsin Strategy (COWS) led the project in Wisconsin.

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Much of the data in this report was made available through federal census surveys, particularly the American Community Survey and the Current Population Survey. Special thanks go to Kerri Rivers of the Population Reference Bureau. We also made extensive use of *The State of Working Wisconsin 2002*, produced by COWS.

Here in Wisconsin, we want to convey our appreciation to the state Department of Workforce Development, whose staff – and especially Francine Horton – provided background information, data, and useful insights about the Department's programs. We are also indebted to Fran Johnson and her team at the Wisconsin Technical College System Board, who supplied us with valuable data and other materials as well.

COWS is a research and policy center dedicated to improving economic performance and living standards in Wisconsin. Based at the University of Wisconsin-Madison with an office in Milwaukee, COWS promotes "high-road" strategies that support living wages, environmental sustainability, strong communities, and public accountability. Wisconsin prides itself on the "Wisconsin Idea" – the use of University resources, in concert with state government and community, labor, and business leaders, to improve existing social arrangements and policy through bold, informed experiment. COWS activities range from documentation and analysis of industry and workforce trends, to evaluation of pilot projects, to feasibility studies and design work on high-road alternatives to current economic programs and institutions.

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Executive Summary

In Wisconsin, as in the rest of the nation, where you work defines your standard of living. With high labor force participation rates and a strong work ethic, Wisconsin has consistently honored, emphasized, and rewarded work. Unfortunately, work does not necessarily guarantee self-sufficiency in the state. The result? Thousands of working families struggle to make ends meet each day. Many of these families are one paycheck, or one layoff, away from homelessness. Many of them struggle to pay the bills, do not have enough money for food at the end of pay periods, and have no money for the emergencies (car breakdown, appliance replacement, health problem) that inevitably arise.

The results for children can be disastrous. When families are economically stressed, other stresses increase as well. Parents don't have the work flexibility to attend parent/teacher conferences. Parents don't have the time or energy to look at homework. Parents don't have the money to invest in quality child care. Parents must choose between food for their children and rent or utility payments. Children may arrive at school with considerable language and learning deficits from the start.

The wasted potential for the economy is disastrous as well. Wisconsin faces a structural labor shortage, with future job growth and retirements far outstripping the numbers that will be entering the labor market. In order to ensure that Wisconsin's employers can fill skill shortages – and in order to ensure that Wisconsin's workers can support their families as their reward for work – we must all embrace a high-road plan for the state: building an economy based on high skill levels and high productivity, and helping both workers and firms to make the transitions required to get there.

To continue honoring the importance of work in Wisconsin, to affirm the importance of all children in the state, and to help build a high-road economy requires not just new commitments and partnerships. It also requires data: a direct look at the problems that confront Wisconsin's working poor families, and good information about how some of those problems can be solved.

This report – part of the Annie E. Casey Foundation's *Workforce Measures* project – is intended to do just that. The Casey Foundation is using the release of five state-level reports to bring working poor families into the spotlight of state and national policy. As our policies increasingly focus on work as the solution to problems of self-sufficiency, we need to consistently measure and evaluate the outcomes of those policies.

Starting with basic outcome data on families in economic distress, the Wisconsin report goes on to identify benchmark data in key areas, and state policy levers that can help improve outcomes for working families in the state.

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The bottom line for Wisconsin is positive in many ways. Overall, a smaller share of Wisconsin families face economic distress despite work. Further, our employers are much more likely to provide health and pension benefits. And critically, the state can point to a number of important policies that already support working families.

Even so, there are important problems. One in five Wisconsin families with children are economically stressed, and the percentage is much greater when you consider our racial and ethnic minority populations. Despite their strong commitment to benefits, employers are facing double-digit increases in health insurance costs, and those increases, hard to bear across the board, have pushed down coverage and made co-pays unaffordable at the bottom end. Likewise, our state is challenged by budget deficits that will make an increasing commitment to support for working families more difficult.

Chapter Highlights

Chapter 1 looks closely at working poor families in Wisconsin and the economic, housing, and health care challenges they face. Fortunately for Wisconsin residents, we perform fairly well on a range of economic indicators, when compared to the national average and our neighboring states. For example, Wisconsin ranks 8th best in the nation for share of working families in poverty, 6th for share of working families with income below 200 percent of the federal poverty line, and 5th for share of working families in poverty that spend over a third of their income on housing.

As in most states, however, Wisconsin has room for improvement. Fully 4.5 percent of working families in the state do not earn enough money to rise above the poverty line. And for working families with one minority parent, that share is *nearly 14 percent*, placing Wisconsin a poor 31st among the states. One third of working poor families have at least one adult with no health benefits.

Chapter 2 examines educational attainment and skill levels for Wisconsin's working families. Some of the data are impressive. For example, only nine percent of Wisconsin residents aged 25-54 do not have a high school diploma or its equivalent. However, a high school education no longer guarantees a high-paying job, and the state needs to help workers obtain the education and training they need to succeed in today's labor market. We review current policies that support basic skills and technical training for Wisconsin's low-income residents, and suggest ways to build on existing strengths.

Chapter 3 focuses on the availability of family-supporting jobs in the state. Wisconsin's labor force participation rate (73.5 percent) is far above that of the nation as a whole (66.9 percent). However, workers in our state are working much longer hours and are much more likely to hold multiple jobs. These findings indicate that many jobs in Wisconsin do not pay a sustainable wage. We examine the state's existing economic development programs, and propose additional ways to promote high-quality job creation and retention.

Chapter 4 discusses the conditions that Wisconsin workers face on the job. Here, Wisconsin shows a solid record of achievement. For example, only ten percent of our workers do not receive health insurance from their employer, and nearly half of Wisconsin workers are provided with employer-funded pension plans. Additionally, our state provides critical supports to families facing economic stress, including the state Earned Income Tax Credit (EITC), the BadgerCare health care program, and Wisconsin Shares, our child care subsidy program for low-income families. We emphasize the importance of retaining these essential pieces of infrastructure, while calling for further expansion of programs that help reward work and ensure that children in the state get a healthy start.

Poverty Despite Work, In Wisconsin and the U.S.

	Wisconsin	Rank	U.S.
Percent of Working Families in Poverty (2000)	4.5	8	7.5
Percent of Working Families With Income Below 200% of Poverty (2000)	19.7	6	27.8
Percent of Working Families With a Minority Parent in Poverty (2000)	13.8	31	13.1
Percent of Working Families in Poverty Spending Over 1/3 of Income on Housing (2000)	59.6	5	72.5
Percent of Working Families in Poverty With at Least One Parent Without Health Insurance (1999-2001)	33.1	n/a	46.7

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Recommendations

This report clearly shows that Wisconsin's workforce, employers, and state government are making critical contributions to rewarding work in Wisconsin. However, the challenges of poverty despite work, racial inequality, budget deficits, the economic downturn, and skill shortages are equally evident. Wisconsin has some strong programs in place to help working poor residents. But we can neither rest on our laurels nor simply expect the problems to go away. We must build new relationships that will keep Wisconsin's economy, Wisconsin's working families, and Wisconsin's children strong in the future.

Holding Onto Our Strengths

Like many other states, Wisconsin currently faces a severe fiscal crisis. During difficult economic times, programs for low-income families are seriously at risk of being curtailed. But there is no more important time to be sure that our commitments to working families – in the form of strong support for the state's technical college system, strong funding of our child care, health insurance, and income supports for working families, and a strong effort to build more supports into the state's W-2 program – remain solid. These commitments help secure our future prosperity.

For example, the state's technical college system is a vital resource for working families and employers. Our pressing health care and other skilled-worker shortages cannot be resolved at the necessary scale without a strong commitment to that system. Budget pressures push against such a commitment, but planning for the future means that cutting the system may be penny-wise and pound-foolish.

Likewise, the Wisconsin Shares child care subsidy program provides child care assistance to more than 27,000 families in any given month. The high cost of child care can literally derail work for low-wage workers, especially single-parent families who make up more than 90 percent of Wisconsin Shares participants. This program requires continued strong support. Freezing or reducing current funding levels can leave many struggling families without money for child care, languishing on long waiting lists, or forced to seek care from ill-qualified providers.

Wisconsin's EITC program also provides income for working families. We need to be sure that our state tax system continues to reward work by using this effective policy tool to make work pay.

Further, BadgerCare provides health insurance coverage to low-income families and children that are not eligible for Medicaid or private insurance coverage. Because of the high cost of this program, it too could fall victim to the budget-cutting axe. We need to stand firm against possible cuts.

Finally, the state has just begun to explore the development of a transitional jobs program for participants in W-2. Such a program could help bring the rewards of work to more W-2 participants and bring federal EITC dollars to those workers and the state. At its best, this program could also strengthen the training and skills development offered through that work, and help connect new workers to industries facing our state's most pressing shortages. But such rewards can only be secured if we develop the program.

Building On Our Strengths

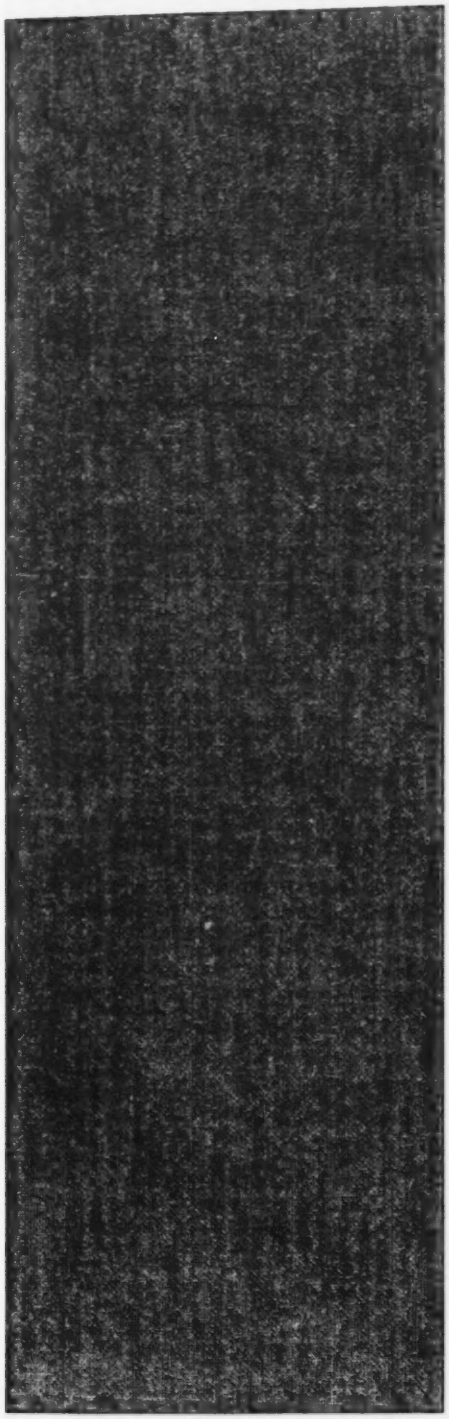
If we are serious about helping low-income families to move forward, it is imperative that we protect the vital sources of support that Wisconsin already provides. But we cannot stop there. Throughout this report, we review policies that are currently in place at the state level, emphasize strengths, and offer suggestions for improvement where gaps exist. Our suggestions for areas of policy improvement include:

- Improving low-income workers' access to education and training that helps them to move forward
- Supporting sectoral initiatives that build Wisconsin's strongest industries
- Creating a system for monitoring corporate subsidies and measuring their effectiveness
- Raising and indexing the state's minimum wage
- Increasing the state's commitment to our EITC, Wisconsin Shares, and BadgerCare programs

Fundamentally, this report is a look at numbers that help us to understand how we are doing when it comes to supporting the working poor. At the same time, we intend that it serve as a call to action. Wisconsin will only continue to be a state that honors work if work continues to honor those who are committed to it, by providing them with a decent standard of living. Solving the problem of poverty despite work will require effort from nearly all stakeholders in Wisconsin: policy makers; business, labor, and community leaders; educator and trainers; funders of workforce development programs; and workers themselves. With a clear focus and joint effort, we can make real progress toward this important goal.

Chapter 1

Wisconsin's Working Families Face Economic Distress



In this chapter, we focus on the bottom-line indicators about families and economic distress in Wisconsin. These data are intended to draw not only a picture of the economic stress faced by many families, but also a quick profile of working poor families, including the housing and health care challenges they face.

Throughout this report, we focus on families with children. If we can make work pay for working families, we are investing in work and investing in our future. Children are among our most vulnerable populations. Deprivation at an early age can lead to lifelong capacity deficits. Policies that help make work pay for working families can help make life better for the children in those families. Our investments there pay off now and in the future, as those children grow up.

We also focus on families in economic distress. Poverty, as measured by the federal poverty line, is the most common way to measure economic distress for families. In 2002, the poverty line for a family of four was $18,244. As a benchmark for economic distress, nearly no one finds this too generous. In fact, academics and advocates have long noted several shortcomings with our national poverty measure. First, it does not take into account the dramatic differences in cost of living found throughout the country. Second, it is based on a distribution of standard family expenditures that is seriously out of date. And finally, the food budget that sets the poverty level is a diet "fit only for temporary or emergency use" which, by definition, does not support long-term subsistence. Even so, it is a common national benchmark, and we measure Wisconsin's performance in terms of the share of working families whose incomes fall below the federal poverty line.

We also offer information on the share of working families with income below 200 percent of the poverty line. This is our second measure of economic distress, and one that recent research on family expenditure patterns supports. For a family of four, the 2002 threshold on this measure was $36,488. There has been strong consensus that families below that income level face significant burdens and stresses. Recent analyses by the Economic Policy Institute show that families with income below 200 percent of the poverty line face significant hardships. Nearly 30 percent of such families faced a critical economic hardship: missing meals, eviction from housing, disconnection of utilities, doubling up in housing, or no access to medical care. Over 72 percent of families worried about food, missed rent or mortgage payments, relied on the emergency room for medical care, or had inadequate child care arrangements. Families with income below 200 percent of the poverty line faced nearly the same incidence of critical and serious hardship as did families below the poverty line. Clearly, families in these income categories are facing significant stress.

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Wisconsin's Relatively Strong Showing Leaves Minority Families Out

Table 1.1, showing key outcomes for low-income workers in Wisconsin, is the centerpiece of our report and offers the current benchmark for the state. In general, there is quite a bit of good news in the table: with a few exceptions, Wisconsin does well relative to the rest of the nation, landing in the top ten states on most measures.

In terms of our two key economic distress outcomes – the share of working families with income below poverty, and the share below 200 percent of poverty – Wisconsin's performance is among the best in the nation. Even so, fully 4.5 percent of our working families earn too little to get out of poverty. For nearly one in 20 of the state's families, the financial rewards of work are insufficient to meet even this minimal standard. And, considering the more reasonable threshold for economic distress – 200 percent of poverty – 19.7 percent of Wisconsin's working families fail to meet this standard. Fully one in five Wisconsin families are facing this significant level of economic distress.

For the state's minority families, Wisconsin's performance is considerably worse. Wisconsin falls from the top ten states to the 31st state. Nearly 14 percent of working families with one minority parent live on income below the poverty line.

This racial disparity is extreme and mirrors the severe levels of racial inequality in Wisconsin. For example, the 2000 census showed that Wisconsin had the nation's second highest black/white disparity in child poverty: black children in the state are *six times* more likely than white children to live in poverty. That level of racial disparity is greater than in any other state, and is exceeded only by the racial disparity in Washington, D.C. The black/white disparity in our state shows up also in wage, graduation, and incarceration rates. Other minority groups are also left behind. This deep and persistent racial disparity is an important challenge to the state. Throughout the remainder of this report, we will focus on population

Table 1.1
Poverty Despite Work

	Wis.	Rank	U.S.	Ind.	Ill.	Iowa	Mich.	Minn.
Percent of Working Families in Poverty (2000)	4.5	8	7.5	5.8	6.8	6.7	6.1	4.1
Percent of Working Families With Income Below 200% of Poverty (2000)	19.7	6	27.8	25.5	23.8	26.4	24.0	18.8
Percent of Working Families With a Minority Parent in Poverty (2000)	13.8	31	13.1	9.0	11.7	12.9	11.5	13.7
Percent of Working Families in Poverty Spending Over 1/3 of Income on Housing (2000)	59.6	5	72.5	61.9	78.6	74.3	79.1	61.9
Percent of Working Families in Poverty With at Least One Parent Without Health Insurance (1999-2001)	33.1	n/a	46.7	67.7	38.5	20.1	33.2	25.9

Table 1.2
Characteristics of Working Poor Families, 2000

	Wisconsin	U.S.
Percent of Working Families in Poverty With a Parent Without a High School Degree or GED	26.2	43.6
Percent of Working Families in Poverty With One Parent Between Ages 25-54	83.3	85.4

Defining "Working Poor Families"

Throughout this report, we focus on working poor families. While the concept is clear enough, there are actually some important questions that go into such a definition.

The most straightforward element is "family." A family is a primary married couple or single-parent family, with at least one child under 18.

"Poor" is also relatively straightforward. A poor family is any family with income below the federal poverty threshold for that family size. Income considers all sources of cash income, from all members of the household. If that income falls below the poverty threshold – in 2002, the threshold was $18,244 for a family of four – then the family is identified as "poor."

"Working" is a bit more complex. We consider a family to be working if those at least 15 years of age in the family have a combined work effort of at least 39 weeks in the last year, or if they have a work effort of 26 or more weeks and at least one parent who is unemployed but actively seeking work. Families with weeks committed to work are not considered "working" in this report.

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measures, as data broken down by race is not available for most of the indicators we use. However, sitting behind all this data, and often our strong results for the state, is pervasive racial disparity.

To measure the extent to which the economic challenge of living in poverty is related to real challenges in meeting the housing and health care needs of children and parents, we next look to the bottom rows of Table 1.1. Of all working poor families, nearly 60 percent pay "unaffordable" levels of rent. Rent is defined as "unaffordable" when more than one-third of a family's income is devoted to it. For the majority of working families living in poverty in Wisconsin, housing costs are higher than they can afford. These numbers are high, but still our performance is much better than most states in the nation. In addition to the housing stress, one-third of Wisconsin's working poor families face health care stress as well: 33.1 percent of those families have at least one adult with no medical coverage. Again, this is a high percentage, but in fact it looks much better than national performance.

Some Characteristics of Wisconsin's Working Poor Families

We turn now to data that draws a picture of working poor families in the state (see Table 1.2). Contrary to the common perception that the working poor are uneducated, just one fourth of working poor families in Wisconsin have a parent without a high school degree or its equivalent. In other words, fully three fourths of working poor families are headed by parents with at least a high school degree. Nationally, the working poor are much more likely to have low levels of education.

Additionally, more than 80 percent of Wisconsin's working poor families have one parent in the prime years of earning, ages 25-54. Here, the state looks much more like the national average.

Moving Ahead for Wisconsin's Working Poor

These data show that Wisconsin has some real strengths in terms of the income that working families receive. We are among the top ten states in the nation in terms of the low share of working families in poverty. Even so, we face significant challenges. Our minority families are three times more likely to face poverty despite work than are the state's white families. And overall, nearly one in five families faces the economic hardship of life below 200 percent of the poverty line.

Measuring Economic Distress: Basic Family Budgets and Self-Sufficiency Standards

Two recent research projects have attempted to get at true minimum income requirements at a local level for the state of Wisconsin. These approaches have several advantages over the federal poverty line. First, the benchmark rests on actual costs of family essentials such as housing, food, and transportation, based on geography and the local cost of living. Second, rather than drawing the line at subsistence or emergency conditions, these budgets presume a higher standard of living: an adequate long-term diet, safe and decent housing and child care, and reliable transportation.

Basic Family Budgets in Selected Wisconsin Metropolitan Areas and in Rural Wisconsin, 1999

	Family Type		
Basic Family Budget	1 Parent 1 Child	1 Parent 2 Children	1 Parent 3 Children
Eau Claire	$ 23,397	$ 29,934	$ 39,430
Green Bay	24,690	31,114	41,554
Madison	27,992	33,845	45,151
Milwaukee-Waukesha	27,179	33,031	42,559
Rural	22,575	28,981	38,544
Federal Poverty Line	11,483	13,423	16,954
Basic Family Budget	2 Parents 1 Child	2 Parents 2 Children	2 Parents 3 Children
Eau Claire	27,972	33,787	43,001
Green Bay	28,948	34,729	45,114
Madison	31,593	37,373	48,654
Milwaukee-Waukesha	30,940	36,720	46,209
Rural	27,626	33,440	42,394
Federal Poverty Line	13,410	16,895	19,882

For more details on basic family budgets and self-sufficiency standards, see Heather Boushey et al., *Hardships in America: The Real Story of Working Families* (Economic Policy Institute, 2001) <**www.epinet.org**>; and Diana Pearce with Jennifer Brooks, *The Self-Sufficiency Standard for Wisconsin* (Education Fund of the Wisconsin Women's Network, Winter 2000) <**www.sixstrategies.org/files/Resource-StandardReport-WI.pdf**>.

If we hope to make sure that work pays for all of the state's residents, then we must pay attention to the performance of our education and training systems, the state's generation of jobs, and the quality of those jobs. The remainder of this report is devoted to presenting such benchmarks, and to offering policy options to help move us toward becoming a state where steady work is rewarded with real family-supporting income.

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Chapter 2

Toward Stronger Education & Training Opportunities for Wisconsin's Working Poor

How to Make a Difference:

- Align and integrate our workforce development system
- Improve access to education and training for low-wage workers
- Set standards for measuring system performance

For policy makers and community leaders who seek to reduce the chances that working people live in poverty, building strong and accessible education and skills training systems is a key strategy. Workers with limited education and training generally face major barriers in the labor market. Too often, they are unable to find work – or else they are stuck in low-level, poverty-wage occupations that offer few if any benefits and little opportunity to advance. Conditions for workers without four-year college degrees have gotten worse in recent decades; while Wisconsin workers with college degrees have watched their wages increase, those with less education are falling far behind. In this way, Wisconsin is sadly in line with the national trend.

Now more than ever, it is imperative that we enable the working poor – especially working poor parents – to prepare for better jobs. At one time, many Wisconsin workers with minimal education and skills training were able to find jobs paying enough to support a family. With the state's manufacturing base declining in recent decades, this is no longer the case. In this chapter, we take a closer look at Wisconsin's response to adult education and training needs. We also suggest areas for improvement that will help low-income parents – and their children – to thrive.

Key Indicators: Educational Attainment and the Earnings Gap

As Table 2.1 shows clearly, Wisconsin residents can be proud of the high levels of educational attainment for adults in the state.

- Only nine percent of residents aged 25-54 do not have a high school diploma or its equivalent. This is significantly lower than the national average of 14 percent, and close to the median among our neighboring states.
- Additionally, almost 35 percent of Wisconsin residents in the 25-54 age group hold an associates degree or higher. Here again, Wisconsin's performance is close to the national average, though we do fall below most of the states in the region.
- Currently, 32 percent of young adults in Wisconsin between the ages of 18-24 are enrolled in postsecondary institutions. This enrollment level roughly mirrors national and regional levels.

While the state's record is good, however, we can and must do better. Higher education has always been an important correlate of good wages, but that has become much more true over the past 20 years. In *The State of Working Wisconsin 2002*, COWS has documented that the payoff of a four-year college degree has grown dramatically for both women and men. Unfortunately, a high school education no longer guarantees a family-supporting job in the state. For the 75 percent of Wisconsin workers who do not hold a four-year college

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degree, real wages have either declined or else risen very little over the last 20 years. The following trends show how educational inequality is growing in Wisconsin:

- In 2001, male workers without a high school degree earned a median hourly wage of $9.79, while those with one to three years of post-secondary training earned $14.85 per hour.
- From 1979 to 2001, male college graduates saw their real wages increase by almost 23 percent. By contrast, wages decreased for male workers without college degrees – by nearly four percent for those with one to three years of post-secondary education, 14 percent for high-school graduates, and 29 percent for high-school dropouts.
- The real wages of female college graduates rose by nearly 46 percent between 1979 and 2001. Among those with less than a college degree, wages increased by just eight percent for those with some college experience, and nine percent for those with only a high school degree. Among high-school dropouts, wages declined slightly .

Table 2.1
Educational Status of Adults, 2000

	Wis.	U.S.	Ind.	Ill.	Iowa	Mich.	Minn.
Percent of Adults Ages 25-54 without HS Degree or GED	9.0	14.2	14.2	12.1	7.0	9.4	6.3
Percent of Adults Ages 25-54 with Associates Degree or Higher	34.9	35.7	30.0	38.6	37.3	35.1	40.8
Percent of Young Adults Ages 18-24 Enrolled in Postsecondary Institutions	32.0	31.4	29.0	34.2	29.3	33.8	29.8
Percent of Adults Ages 25-54 Enrolled in Postsecondary Institutions	5.5	6.2	5.2	6.5	5.7	6.9	5.0

Table 2.2
Share of Wisconsin Workers Earning Poverty Wages, 1979–2001, By Education Level (wages less than $8.63 per hour in 2001)

	Percent Earning Poverty Wages				Percent Change	
	1979	1989	2000	2001	1979–2001	1989–2001
No High School Degree	27.0	49.3	48.9	46.1	+70.6	-6.6
High School Degree	23.4	31.1	21.4	23.8	+1.9	-23.2
1–3 Years Post High School	22.2	36.9	20.0	22.0	-0.9	-40.4
College Graduate	6.4	11.3	6.6	6.0	-6.9	-46.8

Table 2.2 shows the share of workers employed in poverty-wage jobs (jobs paying below $8.63 per hour) by education level. These data from *The State of Working Wisconsin 2002* also make clear the increasing payoff of a four-year college education and the increasing likelihood of low-wage work for workers without advanced degrees.

The increasing payoff of higher education and increasing chances of low-wage work for those without education past high school, shown in this table, make it clear that education and training policy for Wisconsin's working families is more important than ever.

Interested in More Data on Wages and Income?

Every two years, the Center on Wisconsin Strategy produces *The State of Working Wisconsin*, a review of wages, income, poverty, and work in the state of Wisconsin. The document is available at <**www.cows.org**>.

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Policy Indicators: Wisconsin's Education and Training Record

Wisconsin boasts a number of key institutions that promote and provide education and training for working people, including low-income workers. In this section, we review their activities and identify areas needing reform.

1. Wisconsin Technical College System

We are fortunate to have a strong statewide technical college system, coordinated by the Wisconsin Technical College System (WTCS) Board. The system consists of 16 colleges, offering credentials that range from associates degrees to certificates for continuing education and career enhancement. Our technical college system is a popular choice among younger state residents; in 2000-2001, it graduated more than 16,000 students, over half of them earning a two-year associates degree.

Wisconsin's technical colleges offer a number of outstanding features:

- Small classes and flexible class times.
- An array of programs that mirrors the diversity of the Wisconsin economy. There are 300 programs in all.
- Affordable tuition. In an era of escalating tuition costs, the technical college system is relatively inexpensive and affordable for most families. In 2002, tuition was only $67 per credit hour, resulting in an average semester cost of $1,005 for a full-time student. This represents 17 percent of average income for Wisconsin families, at the low end of the range nationally.
- Very high post-graduation placement rates. Fully 95 percent of Wisconsin's technical college graduates find employment within six months of graduation, and 82 percent of them are placed within their field of study.

The WTCS has a broad mission; it provides both liberal arts instruction and technical training, and serves traditional students as well as working adults. As part of this mission, our technical colleges play an important role in helping to promote upward mobility for the state's working poor residents. Below, we identify some key opportunities to strengthen that role:

- Financial aid. Although technical college education is relatively inexpensive in Wisconsin, the financial aid structure is often designed for "traditional" students who go to school full-time. This structure offers work/study employment, low-cost loans, grants, and the like, but it does not always take into consideration the unique needs and stresses confronting non-traditional adult students returning to school. Often, such students can only attend college part-time, and returning to school brings a series of costs, especially child care costs, that more traditional students do not carry. As a result of the mismatch between aid structure and recipients, some low-income workers may not attend the technical colleges to earn a degree or develop skills.
- Funding allocation. The success of technical colleges is often measured by looking at the share of students who complete the two-year program and/or transfer to four-year institutions. This affects how the colleges decide to allocate limited resources. Should they provide funding for programs that will help traditional students to move on to other academic institutions? Or should they spend resources on remediation and basic skills programming, improving the skills of disadvantaged students so they can obtain vocational certification? These difficult decisions have a direct impact on the graduation rates of low-income working adults, particularly working poor parents who are not as likely to be able to transfer in pursuit of a four-year degree.
- Data tracking. Currently, we are unable to measure the extent to which low-income students and families are participating in and benefiting from the technical college system, or the extent to which their educational experience is preparing them for high-quality jobs. While data from the WTCS Board on the overall effects of training are very strong, the Board does not have data on the income levels of entering students, nor does it track school performance, graduation rates, and post-graduation earnings for low-income students in particular.

Workforce Training on the Web

- Wisconsin Technical College System: **<www.witechcolleges.com>**
- TANF/W-2: **<www.dwd.state.wi.us/dws/w2>**
- Community Service Jobs: **<www.dwd.state.wi.us/dws/w2/empcsj2t.htm>**
- Workforce Investment Act: **<www.dwd.state.wi.us/dwdwia>**
- Wisconsin Job Centers: **<www.dwd.state.wi.us/dws/directory>**

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2. Wisconsin Works (W-2)

In 1996, the federal government replaced Aid to Families with Dependent Children (AFDC) with Temporary Assistance for Needy Families (TANF). Among its stated goals, TANF is intended to provide assistance to needy families, and to end the reliance of needy parents on government support. Under the program, Wisconsin receives an annual federal TANF block grant of $318 million, and spends another $169 million in state money each year. The state uses this money to finance its welfare program, known as Wisconsin Works or W-2.

Table 2.3

TANF Education and Training Policies in Wisconsin

Policies That Could Improve Access to Education and Training for Welfare Recipients	*Practice in Wisconsin*
Post-Secondary Education/Training Alone Satisfies TANF Work Requirement?	No
TANF Time Clock Stopped When Engaged in Postsecondary Education and Training?	No

Towards a Transitional Jobs Program for Wisconsin

Governor Jim Doyle's 2004-2005 budget proposes to increase employment and earnings opportunities for low-income families by establishing a framework for a new voluntary W-2 transitional jobs program. By creating a new transitional jobs employment and training category for use by W-2 participants, with access to worksite mentoring, education and training, and transportation services, the state offers W-2 participants an enhanced opportunity to build work skills and experience, become economically self-sufficient, and move more quickly into unsubsidized employment. The state Department of Workforce Development will be developing the program over the next year.

Transitional jobs provide participants with real wages for real work, as well as the incentives of the regular workplace. At the same time, it ensures such supports as continued benefits coverage, Food Stamp eligibility, child care assistance, transportation, etc. Additionally, by leveraging the federal Earned Income Tax Credit, millions of untapped federal dollars will be brought into Wisconsin and areas of economic distress.

For more information on the state's work on transitional jobs, see **<www.dwd.state.wi.us/transjobs>**.

Wisconsin has used TANF resources to support several important projects that may help workers move out of poverty, including:

- Workforce Attachment and Advancement (WAA). WAA provides grants to W-2 agencies and Workforce Development Boards (WDBs). Its purpose is to help low-income parents find jobs, keep jobs, and advance to higher-paying positions. WAA targets former W-2 recipients, as well as other TANF-eligible residents, whose family incomes are below 200 percent of the poverty line. WAA-funded programs include job readiness and placement services for unemployed workers; basic skills development; job retention services; incumbent worker training; and services to help employers retain workers and provide career advancement.
- Community Service Jobs. While federal TANF regulations are restrictive and push against educational and training opportunities, Wisconsin has tried to be more flexible. While different regions have adopted a diverse array of approaches to community service jobs, in general these jobs are intended to provide workers with skills, experience, and support that will make stable employment more likely.

Welfare policies in Wisconsin, as in other states, are severely restricted by federal TANF requirements. Even so, there are some additional steps the state could take to improve the prospects for low-income workers:

- Education and training. Wisconsin's W-2 program offers some education and training opportunities, but these could and should be strengthened (see Table 2.3). The program often pushes recipients too quickly into jobs without adequate or meaningful training. The result can be long-term, unstable, low-wage employment rather than a program that helps workers move out of poverty. The state could enhance the commitment to and opportunities for training, especially training that provides the skills required to get a family-supporting job.
- Data tracking. In order to make better choices and investments, the state should more consistently track welfare recipients' earnings and work status. It would be very useful to benchmark the share of TANF leavers who make it to 100 and 200 percent of the poverty line. These data are currently not available on a consistent basis (see Table 2.3). Perhaps most usefully, Wisconsin could begin to assemble the data to track outcomes over time not only for TANF recipients, but also for other low-wage workers in the state. This investment in understanding the dynamics of Wisconsin's low-wage labor market could increase our ability to identify and extend effective programs.

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3. Workforce Investment Act Programs

In 1998, Congress passed the Workforce Investment Act (WIA) – landmark legislation that restructured the delivery of employment and training programs nationwide. The WIA required states to create local or regional Workforce Development Boards (WDBs) and to have those boards work through integrated "one-stop" centers (Job Centers in Wisconsin) to disburse funds and services in local communities.

Wisconsin was already ahead of its time, having started public-private partnerships that one-stops require at the local level as early as 1985. In 1991, the state received several federal grants to develop these initiatives further. By 1999, just a year after WIA's passage, there were 76 One-Stop Job Centers operating in Wisconsin and two more on the way.

Our Job Centers consolidate a variety of employment and training services under one roof – veterans' assistance, vocational rehabilitation, W-2, Unemployment Insurance, the State Job Service, technical college services, and more. The programs themselves remain distinct, with support from different funding streams. But employers and job seekers enjoy the convenience of "one-stop" shopping for the services they need.

WDBs are major investors in one-stop infrastructure and also can be a significant source of funding for training for low-wage workers. The Boards receive WIA funds from the state, which they use to support a number of important projects. These include:

- Dislocated worker services, including rapid response services to major layoffs and training funding for dislocated workers
- Youth initiatives, including school-to-work programs
- Workforce training. The WDB provides tuition assistance to low-income individuals, who can then use it to obtain training from among a wide range of certified regional training providers. WIA funds can also be used to support provision of services related to training, such as child care and transportation. Job Center case managers refer recipients for these services.
- Other Job Center activities, including general operations and strategic planning efforts.

In Wisconsin, WDBs are required to perform a basic skills assessment on each WIA-eligible recipient who does not have a high school degree or its equivalent. This assessment is important for determining whether the participant needs additional assistance before beginning a more comprehensive training program. Once the assessment has been completed, Job Center staff refer the participant to the appropriate source of adult education services.

While these programs offer valuable services to participants, there remains significant room for improvement in the structure and delivery of services. Wisconsin's delivery of basic adult education and skills training is localized. This can be beneficial, since programs are often sensitive to local needs. But localization also means that programs are not consistent across the state, as is clear from Table 2.4.

This lack of consistency is reflected in the absence of consistent standards and performance measures. This leads to problems in two related areas:

- Data tracking. There is important information that the state does not collect from WDBs. Additionally, in many instances it is difficult to compare performance of different WDBs because their mix of services and client populations are so different. It would be very useful to have more clear, consistent definitions and tracking of data on earnings after post-training job placement, in order to evaluate and improve programming.
- Comparability within the state. In some areas, the state does gather data from WDBs. However, because of inconsistent policies, practices, services, and client populations, the data that is reported is not comparable from one region

Table 2.4

Toward More Workforce Investment Act Funded Training in Wisconsin

Policies That Could Increase WIA Investment in Training for Low Income Workers	*Practice in Wisconsin*
Are Over 50% of WIA Funds Dedicated to Training?	No. Each WDB determines what percentage is spent on core, intensive, and training services.
State Has Policy for Determining When Local WIA Training Funds are Limited and Requires Local Workforce Investment Boards to Establish Training Priorities?	No. Each WDB sets its own priorities for the levels of service.
State Requires Local WIBs to Do Basic Skills Assessment for All Without HS Degree or GED and Refer to Adult Education?	Yes, but not consistently across WDBs. Core services under WIA require an initial assessment of participant's skills, aptitudes, abilities and supportive services.

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to the next. This makes it difficult to interpret data that the state collects and disseminates. It also makes it difficult to produce a genuine assessment of the state's effectiveness in the area of WIA-financed training.

We Can Do Better: Aligning and Integrating Our Education and Training System

If we want to make real and durable improvements in the lives of Wisconsin's low-income workers, we need to more consistently connect them with the educational and training resources that will help them to move into family-supporting jobs. There are some critical steps we can take to increase our effectiveness in this area. Most important, we need to establish better coordination among the various institutions that provide educational and training services for low-wage workers. And we need to consistently measure success in terms of the ability of those programs to help move people to self-sufficiency.

As we have seen, Wisconsin's diverse adult education and training systems are decentralized, with oversight distributed at the local level among a number of institutions. An improved system would move from a decentralized structure to one of collaboration and alignment among employers, technical colleges, welfare programs, and WDBs.

The priority of moving low-wage workers into better jobs can be the priority that helps align these systems, and makes transitions from poverty to family-supporting work possible. Such low-wage worker focused alignment would have the following features:

- Improved accessibility. When workers are struggling to get by, they often have difficulty attending educational programs that are geared toward traditional students. They may be unable to take a whole semester's worth of courses – or even short courses that conflict with regular work schedules. If they lack child care and transportation, they may be unable to go to school at all. The system approach makes it easier to schedule courses at times and places convenient for low-income workers (including at their workplaces on work time), and to organize courses in modular form so that workers can attend them "one day at a time." It may also be possible to provide the package of supports, including child care, transportation assistance, training, and mentoring, that can only happen when all the elements of the system are working toward the same goals.
- Greater effectiveness. The goal of workforce training should be to help get low-wage workers into better jobs. When participants in the training system work together, they can design course structure and content around the occupational skills that employers and industries need. They can also make sure that curricula are geared toward establishing self-sufficiency and career ladders for incumbent and dislocated employees. And when the system is working best, it provides solutions to employers' skilled labor shortage problems as well as the problem of low-wage work.
- Uniform standards for measuring performance. A focus on promoting self-sufficiency for low-wage workers provides a common benchmark across these diverse education and training programs. An integrated data system, with consistent benchmarks, would help identify where programs and collaborations are working, and would help direct funding toward the most effective programming. An integrated system of data collection would help promote a cohesive set of standards for gathering information, reporting data, and measuring performance. Even the discussions that such a system would require would help bring more cohesiveness and coordination to these diverse systems.
- Conservation of public resources. In an era of competition for scarce public dollars, an integrated system saves money by eliminating duplication of effort.

An integrated system could finally put the promotion of upward mobility for low-wage workers at the center of the policy agenda for the numerous systems that are intended to support these workers. In theory, such a system would help workers to make the transition from unemployment to TANF assistance through the local Job Center, followed by progress to assisted employment, and then a move into WAA services and the technical college system. Through this process, a low-wage worker would be able to prepare for a job that offers self-sufficiency, satisfaction, and room for advancement. This, in turn, promises to reduce public assistance caseloads, close the state's skills shortages, improve worker morale and productivity, and strengthen the state's economy. Throughout Wisconsin, a number of unique programs and partnerships have begun to do just this.

Moving in the Right Direction: Wisconsin Paves the Way

These ideas of alignment and focus on career advancement are familiar throughout the state, and there are a number of excellent examples upon which the state can build. As we move toward improving educational programs for low-wage workers, we can point proudly to some models here in Wisconsin that demonstrate the strengths of an integrated workforce development system.

Example 1: Redesigning the Technical College Curriculum

In 2002, the Workforce Development Board of South Central Wisconsin received a $1.14 million grant from the U.S. Department of Labor. The grant brings together employers, representatives from technical colleges and Job Centers, and staff from Jobs With a Future Partnerships, in order to redesign course curricula around the skills employers actually need. Employers participate directly in reviewing, designing, and teaching courses, which are offered to both incumbent and dislocated workers. Set up on a modular basis, the courses are scheduled at times and locations that accommodate both employers' and students' needs; students can also receive college credit for the courses they take. By giving students direct access to employers – and access to the very skills employers are looking for – the project will help them to move into quality jobs.

Example 2: Strong Integration Between the Technical College and the WDB

Already, Wisconsin's WDB structure requires that a representative from the technical college system sit on a regional WDB. This is an important step in developing a comprehensive workforce development system, and in recognizing that the technical colleges play a pivotal role in that system. In some regions, the local technical college actually hosts the Job Center, whose training programming correlates closely with technical college programming and with local economic development priorities and labor shortages. Throughout the state, there are strong examples of WDB/Tech College/Job Center coordination. The next step is to strengthen and extend these models.

Example 3: Performance Incentives to Increase Coordination

In 2001, Wisconsin was one of 12 states to receive a WIA Title V Performance Incentive Grant. The state Department of Workforce Development planned the initiative in partnership with the WTCS Board. The grant, submitted to the U.S. Department of Labor in June 2002, will run through June 2004. This grant will enhance accessibility, training, and follow-up services that are related to health care occupations and workplace English as a Second Language, and that are provided through local WDBs, Job Centers, and technical colleges. One goal is to improve coordination between WDBs and technical colleges, in order to expand training capacity in local areas.

Conclusion

Wisconsin has strong traditions and infrastructure supporting the education and training of its residents. The growing importance of education in the economy requires us to find a way to build on these strengths. Our technical college system stands as a critical element in the state's training and education infrastructure. The state should strongly support the technical college system so that it can build greater capacity to respond to skill shortages in ways that allow workers to move up in the labor market.

Already, numerous models have emerged in the state where stakeholders are coming together to build strong pathways for advancement and the skills employers need. Wisconsin should embrace and extend these models. We should also commit to strong and integrated systems of measuring the performance of such initiatives, in order to ensure success for low-wage workers. Our strong traditions and emerging models prepare us well to achieve these goals.

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Chapter 3

Developing an Economic Base That Supports Wisconsin's Working Families

How to Make a Difference:

- Support sectoral initiatives that preserve the state's strongest industries
- Create a system for monitoring corporate subsidies and measuring their effectiveness

Although education and training can be crucial for helping Wisconsin workers to obtain family-supporting employment, they are not enough. Unless jobs offering good wages and benefits are actually available in the state, even the most highly skilled employee will have trouble finding work that meets her or his family's basic needs.

If we want to ensure that Wisconsin workers can attain decent living standards, we must pursue policies geared toward generating quality jobs. That means challenging public officials to promote sector-based industry partnerships that will keep our economy healthy and strong. It also means encouraging state and local governments to actively support economic development projects associated with high-quality employment, instead of simply offering incentives to business without regard to results.

Key Indicators: Strengths and Challenges in Job Availability

In several respects, Wisconsin workers are faring well in terms of access to employment. Here are some examples.

- The percentages of Wisconsin workers who are not fully employed (either unemployed, marginally attached to the labor market, or employed part-time involuntarily) are small, and fall below national rates (see Table 3.1).
- Workers in the state demonstrate a very high rate of labor force participation – more than six percentage points higher than the national rate, according to Table 3.2. In fact, in recent years the Wisconsin rate has substantially outpaced the national trend, growing from 70 to 73.5 percent over 1990-2001 (as compared to a national increase from 66 to 66.9 percent over the same period).

Despite these advantages, however, many of the state's workers face major difficulties in the labor market. For example:

- The comparability between the state and national unemployment rates (4.4 percent compared to 4.5 percent) is actually a new and disturbing phenomenon. *The State of Working Wisconsin 2002* reports that, every year since 1987, the state's rate has been below the national rate. That changed in February 2001, when Wisconsin's rate exceeded the national rate for the first time in more than 15 years.
- A significant proportion of Wisconsin workers – nearly nine percent – hold down more than one job, according to Table 3.1. This is much higher than the national rate of below six percent, and suggests the prevalence of low-wage jobs in the state.

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- Wisconsin parents face a significant time bind. The average married couple with children in Wisconsin works 3,981 hours per year, or *275 hours more than nationally*. This is the equivalent of 1.91 full-time workers, or one person working full-time for *nearly seven additional weeks each year*. As with multiple job holding, excess hours suggest that many parents are unable to make ends meet on a standard work schedule. Long working hours cut deeply into valuable time that could be spent with families, taking a heavy toll on parents and kids.

So, while most Wisconsin workers are able to find employment, they are not necessarily working in jobs that offer economic security and stability. To understand why, we need to look at some important trends that have reshaped the state's economy in recent years.

Historically, Wisconsin has been a manufacturing leader, providing solid economic opportunities to workers who lacked college or even high school diplomas. Because of high rates of unionization in manufacturing, these workers enjoyed high wages and strong benefits packages.

In recent decades, however, manufacturing as a share of total Wisconsin employment has fallen. Many factories have closed their doors, often as a result of competitive pressures or the decision to move to another state. This does not mean the state has undergone a net loss of jobs. However, many of the new jobs being created are not as high in quality as the jobs they are replacing. Between 1979 and 2001, Wisconsin actually experienced a net gain of 830,000 jobs. But nearly two-thirds of those jobs (62.8 percent) were in retail trade and services, at the low end of the service sector. These jobs are more likely to be low-paid, temporary or seasonal, and lacking in opportunities for career advancement.

Without a strong base of family-supporting employment, Wisconsin's economic health – and the health of its working families – is at risk.

Table 3.1
Indicators of Labor-Market Attachment, 2001

	Wis.	U.S.	Ind.	Ill.	Iowa	Mich.	Minn.
Percent of All Workers Not Fully Employed*	7.1	7.8	6.8	8.3	5.4	8.6	6.3
Percent of All Workers Who are Unemployed	4.4	4.5	3.9	5.1	2.9	5.0	3.8
Percent of All Workers Who are Marginally Attached to the Labor Market	0.7	0.8	0.6	0.9	0.4	0.9	0.5
Percent of All Workers Employed Part-Time Involuntarily	2.1	2.6	2.4	2.3	2.1	2.7	2.0
Percent of Unemployed Workers Out Of Work for More Than 26 Weeks	10.7	11.8	8.1	14.2	7.7	8.8	10.3
Percent of Workers Over 18 Who Hold More Than One Job	8.6	5.7	6.3	5.1	8.7	5.9	8.9
Percent of Workers Over 18 Who Hold Contingent Jobs	1.2	1.2	0.6	0.7	1.7	0.9	1.8

*Subcategories may not add up exactly because of rounding.

Table 3.2
Labor Force Participation Rates, 2001

	Wisconsin	U.S.
Total Labor Force Participation Rates	73.5 %	66.9 %
Labor Force Participation Rates for Women	68.7	60.1
Labor Force Participation Rates for Men	78.3	74.4
Labor Force Participation Rates for Non-Whites	70.0	65.8

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Policy Indicators: Promoting Economic Development

In recent years, key figures in Wisconsin's business and labor communities have taken the initiative to launch a series of *sectoral partnerships*. The partnerships bring together employers, unions, community groups, and public-sector institutions in order to strengthen key sectors of the economy. What makes them distinctive is the leadership of employers, who develop joint strategies for improving competitiveness, boosting productivity, and recruiting and retaining qualified staff. These initiatives include:

- *The Wisconsin Regional Training Partnership*. This Milwaukee-based non-profit organization focuses on workplace modernization, skills upgrading for current workers, and recruitment of new employees. Participants include employers in construction, health care, hospitality, manufacturing, technology, transportation, and utilities.
- *The Milwaukee Jobs Initiative*. Funded through the Annie E. Casey Foundation, this program unites business, labor, and the community to connect central-city residents to family-supporting jobs in a variety of industries.
- *Jobs With a Future Partnerships*. Covering six counties in south-central Wisconsin, this project builds workforce training programs in three sectors: manufacturing; health care; and finance, insurance, and business services.

The state has provided significant support for these programs which, together with local partners, have built some of the nation's leading models of sectoral partnership. However, we do not yet have a state policy of promoting these partnerships or developing them throughout the state.

Additionally, the state supports the *Wisconsin Manufacturing Extension Partnership* (WMEP), affiliated with the federal Manufacturing Extension Partnership, which provides assistance to small and midsize firms. In conjunction with Wisconsin's technical college system, the WMEP provides training for companies that supply parts to original equipment manufacturers. By helping suppliers to strengthen their operations and improve relations with customers, the program helps to preserve a vital component of the state's manufacturing base.

Wisconsin also oversees dozens of state and federal *economic development programs* that provide subsidies to businesses. Several of these programs are intended to strengthen particular industrial sectors, including child care, dairying and other agricultural businesses, high technology, manufacturing, printing, and tourism.

Some of these economic development programs are targeted toward helping low-income workers. For example, several Community Development Block Grant programs require that at least 51 percent of jobs must be made available to people of low or moderate income. Businesses operating in Development Zones can receive job credits if they create jobs that pay at least 150 percent of the federal minimum wage, and if they hire members of targeted groups such as welfare recipients, dislocated workers, or low-income youth. Often, subsidized projects must be located in areas with low incomes, high levels of unemployment, and high rates of public assistance receipt.

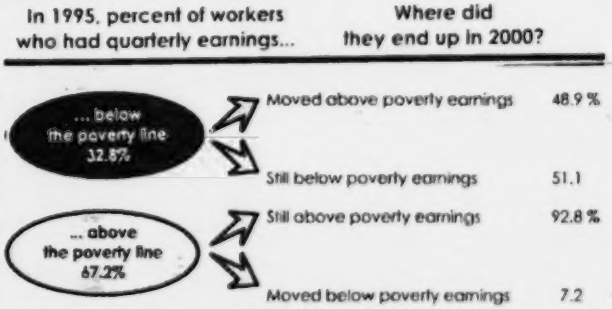
Trapped in Low-Wage Careers

Low-paying industries have grown much more rapidly than high-paying industries during the last two decades.

A number of critical factors contribute to Wisconsin's job quality decline: the strong growth of low-wage service industries; lack of access to full-time work; the large number of entry-level, non-unionized jobs; and the fact that low-wage jobs often "trap" workers and lead to low-wage careers.

Using data that allows for following workers over time, we found that large numbers of workers in the state are caught in low-wage careers. Of workers who had quarterly earnings that would put a family of four below the poverty line in 1995, more than half (51 percent) still held a poverty-earnings job five years later, in 2000.

The Persistence of Low Quarterly Earnings Over Time in Wisconsin


In 1995, percent of workers who had quarterly earnings...
Where did they end up in 2000?
... below the poverty line 32.8%
Moved above poverty earnings 48.9 %
Still below poverty earnings 51.1
... above the poverty line 67.2%
Still above poverty earnings 92.8 %
Moved below poverty earnings 7.2

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We Can Do Better: Creating and Retaining High-Quality Jobs

However, most of Wisconsin's economic development programs do not attach specific requirements – such as a certain number of jobs created or a minimum wage level – to the granting of business subsidies. Instead, they often require subsidy-granting authorities to *consider* whether a project is located in a distressed area and/or whether it will retain or create jobs. Some subsidy programs do not mandate consideration of these issues at all.

In addition, except where specific performance standards apply, the state does not require much in the way of reporting data on job creation or job quality. And there are so many different programs that, even where reporting is required, data is not always gathered in a systematic or comparable way. Which businesses are receiving subsidies, and why? Are the businesses creating or retaining enough jobs to make subsidies worthwhile? Do the jobs offer good benefits and pay a living wage? Unfortunately, we cannot answer these important questions. And that means we do not know whether our economic development efforts are effective – that is, whether they are strengthening our economy by creating high-quality jobs.

To move the state's economy forward and to increase the chances that low-wage workers can move into better jobs, Wisconsin needs to adopt a new approach to economic development – an approach that is consciously directed toward creating and retaining high-quality jobs. Here are some things the state can do:

- Invest in and continue to promote sectoral initiatives that will preserve the strongest elements of Wisconsin's economy. As we have seen, there are already partnerships operating in Wisconsin that provide strong models. Through strategic planning and action at the state level, these partnerships can be expanded and extended to other parts of Wisconsin. For example, the state could establish a division within the Department of Commerce that would be charged with targeting key economic sectors and developing new regional partnerships.
- Establish a Business Subsidies Reporting System. Wisconsin should establish greater coordination and benchmarking among its many economic development programs. An important step in that direction is to develop a consistent and comprehensive reporting system – a system that will allow us to track how public subsidies are being used and whether they are netting positive results. Again, there are useful models already in place. In 1995, Minnesota passed legislation to regulate business subsidies. The Minnesota legislation establishes consistent eligibility requirements, requires annual reporting, and sets minimum wage standards for jobs created under subsidy programs. Efforts are now being made to introduce similar legislation in Wisconsin.

To build a healthy economy that provides family-supporting employment, the state needs to work from a strategically focused economic development plan. For this plan to succeed, we need to invest our resources wisely, monitor outcomes carefully, and make sure that businesses meet the quality standards we set. By targeting our efforts toward stable, secure industrial sectors that provide high-quality jobs, we can make real progress in serving low-income families – indeed, all working families – in our state.

Want More Information About Business Subsidies in Wisconsin?

The state of Wisconsin administers its business subsidy programs through various departments, but most are overseen by the Department of Commerce. For details about those efforts, see Wisconsin Legislative Fiscal Bureau, *State Economic Development Programs Administered by the Department of Commerce* (Informational Paper 82, January 2003) **<www.legis.state.wi.us/lfb/informationalpapers/82.pdf>**.

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Chapter 4

Making Work Pay for Working Families

How to Make a Difference:

- Raise and index the minimum wage
- Increase the state's commitment to the Earned Income Tax Credit, Wisconsin Shares, and BadgerCare programs
- Lower the tax burden on low-income families
- Increase access to Unemployment Insurance
- Protect ex-offenders from employment discrimination

If we seek to promote self-sufficiency for all working families in the state, we must focus on improving working conditions for those at the bottom of Wisconsin's labor market. The logic is simple and grim: if the state's economy is most successful at producing low-wage jobs, many of the state's workers will receive low wages, and many working families will face poverty despite their efforts to make ends meet. State policy should focus on making work pay in Wisconsin, and on building and strengthening supports for working families in order to help them thrive.

In this chapter, we offer a detailed look at conditions of employment for workers in Wisconsin. The basic indicators show real strength in the state. Wisconsin employers are among the best in terms of providing basic benefits like health insurance and pensions. The state's Workers Compensation and Unemployment Insurance programs have also been strong. Even so, substantial challenges exist and some threaten to grow. After our review of the basic indicators, we highlight policies that would help the state make work pay and support working families.

Key Indicators: Relative Strength in Conditions of Employment

Table 4.1 shows a number of key indicators that measure conditions of employment in the state. Taken together, the indicators cast a relatively positive light on conditions of employment in Wisconsin. Some of the most important evidence from the table:

- While job quality is a challenge, Wisconsin still rates fairly well. Nearly 21 percent of workers in Wisconsin hold poverty-wage jobs (wages at $8.70 per hour or less), making Wisconsin the 11th best state in the nation on this measure of job quality. Even so, one in five workers earns a poverty-level wage.
- Wisconsin ranks near the top in terms of benefits that workers get from their jobs. Less than ten percent of Wisconsin workers do not receive health insurance from their employer. And more than half of Wisconsin workers receive pension benefits through their employer.
- State insurance systems remain fairly strong. The state's Workers Compensation and Unemployment Insurance systems compare favorably with other states in terms of the share of the workforce eligible for or receiving these benefits. This is especially true of the state's unemployment system, which has traditionally provided strong benefits for workers and has recently undertaken a number of policy changes that help modernize the system.

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Even with these strengths, however, there are some significant challenges.

- While the share of workers in low-wage jobs is relatively low, it is unevenly distributed. Women and black people in the state are much more likely to earn poverty wages than are white men. (See the box, "Poverty-Wage Work in Wisconsin," for further details).
- Wisconsin's benefit performance is strong relative to a weak national situation. In pensions, for example, Wisconsin employers stand out as strong providers, but fully 48 percent of workers have no pension benefits. Likewise with our Unemployment Insurance system: fully 44 percent of unemployed workers do not receive these benefits.

Table 4.1
Conditions of Employment

	Wis.	U.S.	Ind.	Ill.	Iowa	Mich.	Minn.
Percent of Workers in Poverty-Wage Jobs (2001)	20.9	23.0	20.9	21.3	22.4	21.8	16.7
Percent of Workers Age 18-64 Without Health Insurance (2001)	9.2	16.2	12.5	14.7	11.1	11.3	9.9
Percent of Workers Over 18 Without Employer-Provided Pensions (1999-2001)	48.7	54.7	50.4	51.6	51.5	49.7	49.6
Percent of Workers Not Covered by Workers Compensation Insurance (2000)	10.0	9.3	n/a	n/a	n/a	8.8	n/a
Percent of Unemployed Not Receiving Unemployment Insurance Benefits (2002)	44.0	57.0	n/a	n/a	n/a	43.0	n/a

Policy Indicators: Making a Difference for Working Families

In a number of ways, the state of Wisconsin is already making a difference for working families. The following are some of the most important programs that support working families:

- State Earned Income Tax Credit (EITC). This refundable credit is a portion of the federal EITC. It directly supports low-income working families. In 1998, ten percent of Wisconsin tax filers claimed the federal EITC.
- Wisconsin Shares. Through this program, the state subsidizes child care costs for families up to 185 percent of the poverty line. Currently, all who are eligible receive this benefit, with each subsidy depending on income. In January 2003, 27,321 families received a total of $19,661,791 in subsidies; the average subsidy per family was $719.66.
- BadgerCare. Through this program, the state subsidizes health care for families up to 185 percent of the poverty line who are not eligible for Medicaid or private insurance coverage. As of January 2003, more than 35,000 children were enrolled in the program.

Through these programs, the state of Wisconsin has made an important commitment to its low-income working families. These programs directly raise income, living standards, security, and health for the

Poverty-Wage Work in Wisconsin

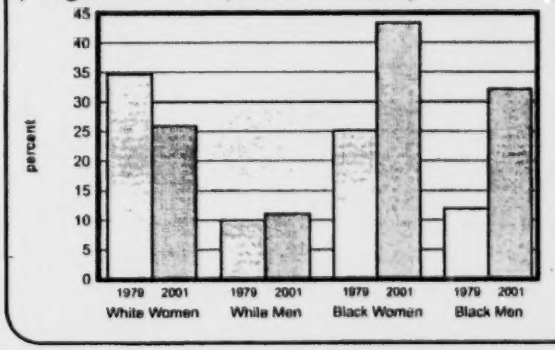
In 1979, one in five Wisconsin workers worked in a poverty-wage job. Over the next decade, this number increased significantly, to almost one in three workers by 1989. The 1990s then brought a reversal of this decline in job quality. Poverty-wage employment has receded, especially in the last several years, dropping back to 20.6 percent of all jobs in the state in 2001.

As a group, only white women have seen a decline in poverty-wage jobs over time, down from 35 percent in 1979 to 26 percent in 2001; however, white women are still much more likely to hold poverty-wage jobs than are white men.

Among black men, the percentage of workers with low-wage jobs has nearly tripled over the last 22 years. Black women show a similar trend over the same time period, with poverty-wage jobs growing from 25 to 43 percent. White men are the least likely to earn poverty wages, but even this group has seen a ten percent increase in those holding a poverty-wage job over 1979.

Less educated workers have suffered the most from the expansion of poverty-wage jobs. Close to half of high school dropouts in the state earned poverty wages in 2001, compared with slightly over one quarter in 1979.

Share of Wisconsin Workers Earning Poverty Wages, 1979–2001
(wages less than $8.63/hr. in 2001)



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more than 50,000 families that receive them. This commitment is neither insignificant nor inexpensive, and these programs should be carefully guarded as the state confronts its fiscal crisis.

We Can Do Better: Honoring Work in Wisconsin

Even with these strengths, Wisconsin can and should do more to support low-income working families. For example:

- *Raise the minimum wage and index it to inflation.* Currently, 11 states have set minimum wages that exceed the national minimum of $5.15 per hour. Raising the minimum wage helps bring it in line with its historical levels and helps move minimum-wage earners closer to self-sufficiency. Moreover, it helps establish a stronger floor under wages and encourages low-wage employers to move toward higher productivity. In Wisconsin in 2000, 4.9 percent of the workforce (more than 120,000 workers) earned the minimum wage; this policy puts money in their pockets.
- *Strengthen our existing system of supports for working families.*

  Earned Income Tax Credit — The state percentage of the federal credit could be increased, especially for families with one or two children.

  Wisconsin Shares — Co-pays for families in poverty could be reduced, and coverage expanded.

  BadgerCare — Coverage could be expanded.
- *Reduce the tax burden on low-income families.* Wisconsin's low-income families currently pay more than ten percent of their income in state and local taxes. This burden should be reduced, to increase the progressivity of Wisconsin's tax structure and to ensure that Wisconsin's lowest income families can take home more of their earnings.
- *Continue to modernize Unemployment Insurance in order to bring greater benefits to low-wage and part-time workers.* In the last few years, the state has made important improvements in the structure of its Unemployment Insurance program that help low-wage workers to qualify for benefits. Still, part-time workers are excluded from benefits, and the benefits of low-wage workers are often so small that they don't sufficiently support families through the job transition. Wisconsin should continue to make changes to help enhance benefits for low-wage workers.
- *Strengthen anti-discrimination policies and enforcement for ex-offenders.* Discrimination against workers with criminal records, especially black ex-offenders, is severe and damaging in Wisconsin. In order to ease the transition from prison to society, the state should strengthen laws protecting ex-offenders from employment discrimination.

Conclusion

Throughout this report, we have reviewed the status of working poor families in Wisconsin and the policies that are in place to support them. Some of the policies and programs are very effective and have proven very successful for our residents, while others need to be developed or updated to meet the economic conditions we are facing today as a state. A few programs stand out for the way they help support working families. BadgerCare, Wisconsin Shares, and our state's EITC all contribute directly to the standards of living and health of our state's low-income working families. These programs support the very families that are working hard but facing difficult economic choices each day. In our current budget climate, they may seem a convenient target for savings. But reducing these supports, which in the best case should be strengthened, places severe burdens on the very families and children that most need and deserve our support.

This report is a call to look forward, and to find ways that all the stakeholders in Wisconsin can come together to support and advance low-income families and to enhance our state's overall economic health. In the short term, we should pursue strategies such as stronger health care, child care, tax credits, and a higher minimum wage that provide immediate relief for families that need help the most. In the long run, by aligning and integrating our workforce and economic development policies, the state can ultimately build better opportunities for all working families across the state.

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Sources

NOTE: Much of the data used in this report comes from the following sources:

- The American Community Survey (ACS), published annually by the U.S. Census Bureau, provides a detailed socioeconomic and demographic profile of the U.S. population. For 2000-2003, the ACS form is being used in a Census Supplementary Survey of 700,000 households each year. This report uses the results of the *Census 2000 Supplementary Survey*.
- The Current Population Survey (CPS) is carried out by the Census Bureau for the Bureau of Labor Statistics. This report draws on data from three CPS components: the *Basic Monthly Survey* (which asks over 50,000 households about employment status), the *Annual Demographic Survey* (which includes information about income and work experience), and the biannual *Contingent Work Supplement* (which asks questions about the temporary and permanent employment).
- *The State of Working Wisconsin* (SOWW), produced by the Center on Wisconsin Strategy every two years, is a comprehensive survey of earnings, income, jobs, wealth, and poverty in Wisconsin.

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- Percent of Working Families With a Minority Parent In Poverty – *Census 2000 Supplementary Survey*
- Percent of Working Families in Poverty Spending Over 1/3 of Income on Housing – *Census 2000 Supplementary Survey*
- Percent of Working Families in Poverty With at Least One Parent Without Health Insurance – *Annual Demographic Survey* of the CPS, 1999-2001

Table 1.2 Characteristics of Working Poor Families, 2000 – *Census 2000 Supplementary Survey*

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